



# Sales Tax Information for Telecommunications Service Providers

## Utah State Tax Commission

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## Introduction

This publication provides tax information relating to telecommunications service providers. General sales and use tax information is available in Publication 25.

Tax Commission publications are reference tools. They are not all-inclusive and should not be used as legal references.

Tax laws may change due to legislative action. Changes to law will supersede any information in this publication.

## Delivery Locations

The location where a transaction is completed for tax and fee purposes is the location where a purchaser receives telecommunications services sold by a provider. This is the place of primary use, or in other words, the customer's residential or business address where use primarily occurs.

The taxing jurisdiction can be determined by the customer's place of primary use. The Tax Commission provides a downloadable online database of rates and boundaries that relates ZIP+4 addresses to taxing jurisdictions. It can be downloaded and incorporated into local systems of service providers to calculate taxes and fees attributable to specific locations. This database is available at [tax.utah.gov/taxes/telecom](http://tax.utah.gov/taxes/telecom).

The Tax Commission establishes delivery location outlets on sales tax accounts according to the information provided by the service provider. This information is provided by using form TC-62Q, Utah Sales Tax Sourcing Schedule, available at [tax.utah.gov/forms](http://tax.utah.gov/forms). The delivery location outlets, along with applicable sales tax rates, are pre-printed on sales tax returns. These delivery location outlets are in addition to already-established brick and mortar outlets. These same outlets must also be included on the E-911 and Municipal Telecommunications License returns transmitted electronically.

Telecommunications service providers report sales and use tax on form TC-61M and Schedule A. Each jurisdiction where service is delivered is identified as a delivery location on Schedule A and appears as a distinct outlet.

## Telephone Services Definitions

### Taxable Versus Nontaxable

#### Taxable telephone service charges include:

1. subscriber access fees;
2. charges for optional telephone features, such as call waiting, caller ID, and call forwarding; and
3. nonrecurring charges that are ordinarily charged to subscribers only once or only under exceptional circumstances, including charges to:
  - establish, change, or disconnect telephone service or optional features; and
  - repair telephone equipment that retains its character as tangible personal property.

#### Nontaxable charges include:

1. refundable subscriber deposits, interest, and late payment penalties;
2. charges for interstate long distance or toll calls;
3. telephone answering services received or relayed by a human operator;
4. charges to repair subscriber equipment that is regarded as real property;
5. charges levied on subscribers to fund or subsidize special telephone services, including E-911 service, special communications services for the deaf, and special telephone services for low income subscribers;
6. subscriber charges for cable or satellite television transmissions, unless those charges are considered user fees;
7. contributions in aid of construction, land development fees, payments in lieu of land development fees, and special plant construction and relocation charges; and
8. charges for one-way pager services.

## Post Paid Calling Service

Post-paid calling service means telecommunications service obtained by making a payment on a call-by-call basis, either through the use of a credit card or payment mechanism such as a bank card, travel card, credit card, or debit card, or by charges made to a telephone number. It is not associated with the origination or termination of the telecommunications service. An example of this would be the use of a telephone calling card to which calls are charged, but paid according to an established billing cycle, after the calls were made. This includes calls charged to a home phone and paid according to an established billing cycle for the home phone.

A sale of post-paid calling service is sourced to the place of primary use. In jurisdictions that impose the municipal telecommunication license tax, this transaction qualifies as a telecommunications service taxable to the provider of the service and sourced to the address of the consumer. This transaction is also subject to sales and use tax sourced to the address of the end user.

## Prepaid Calling Service Not Including the Telephone Line

Prepaid usage-based calling service means the right to exclusively access telecommunications services, paid for in advance, that enables the origination of calls using an access number or authorization code, whether manually or electronically dialed, and sold in predetermined units or dollars that decline with use in a known amount. An example is a phone card in an established amount, either minutes or dollars, available for sale at retail outlets.

The amounts paid or charged for prepaid telephone calling cards are subject to sales and use tax and are sourced for sales and use tax purposes according to where the customer purchased the prepaid calling service. When the service is actually used, there is no additional sales and use tax charged.

## Prepaid Calling Service

In some cases, a disposable phone, a temporary phone line, and prepaid service in specified time or dollar amounts are sold together. A sale of this nature is sourced for sales and use tax purposes according to where the customer purchases the prepaid calling service.

## Mobile Telecommunications Sourcing Act

Telecommunications service may be subject to a tax or fee imposed by taxing jurisdictions whose boundaries encompass the customer's place of primary use, regardless of where the mobile telecommunication services originate, terminate, or pass through.

The Mobile Telecommunications Sourcing Act (Chapter 4 of Title 4 of the U.S. Code) determines the location of a wireless telephone call, for taxing purposes, as the customer's place of primary use. Place of primary use means the street address where the customer's use of the mobile telecommunications service primarily occurs. This is the residential or primary business street address. The Tax Commission establishes delivery location outlets on sales tax accounts based on information supplied by the account holder. These delivery outlets and all other fixed locations will be pre-printed on the sales and use tax returns, TC-62 Schedule A.

The Tax Commission provides a sales and use tax cross-reference table for determining taxing jurisdictions based on customers' ZIP+4 billing addresses, found at [tax.utah.gov/telecom](http://tax.utah.gov/telecom).

## Emergency Services Telephone Charge

### E-911 Funding

A county, city or town may levy a monthly emergency services telephone charge on each local exchange service switched access line (land line), on each revenue producing radio communications access line (cellular line), and on any other service, including voice over Internet protocol (VOIP), provided to a user within the boundaries of the jurisdiction that allows calls to and from the public switched telephone network, including commercial mobile radio service networks. The amount of the local charge is up to 61 cents per month for each line. There is also a statewide fee of 8 cents per month on telephone services for unified statewide E-911 emergency services, bringing the total E-911 fee up to 69 cents per line. A provider responsible to collect, report, and remit E-911 fees is also responsible to collect, report and remit the Poison Control fee, explained later.

The E-911 fee is tied to the provision of phone lines. The value of providing those same phone lines is also subject to sales tax, paid by the phone line subscriber to the phone line provider.

Utah counties, cities and towns impose the E-911 fees at the maximum local rate of 61 cents plus 8 cents statewide fee per line. The filer is expected to collect, report, and remit E-911 fees for all phone lines in every jurisdiction for each reporting period.

Filers must specify each city or town where phone service (based on a customer's ZIP+4 service address) is supplied because revenue is distributed to the E-911 response center that supports the jurisdiction. It is not correct to report all lines and fees at the county level or at just one city or town within the county if service is in fact supplied to other locations within the county. Lines and fees must be reported in the jurisdictions where they are actually supplied.

The taxing jurisdiction can be determined by the customer's ZIP+4 billing address, which is considered the place of primary use. The Tax Commission provides a downloadable online database of rates and boundaries that relates ZIP+4 addresses to taxing jurisdictions. It can be downloaded and incorporated into local systems to calculate taxes and fees attributable to specific locations. The database is available at [tax.utah.gov/taxes/telecom](http://tax.utah.gov/taxes/telecom).

The Tax Commission administers the charge according to the same procedures used to administer state sales and use tax. It then distributes the collected funds to the E-911 response center that supports the county, city, or town that imposed the charge declared on the return. Returns are filed electronically and paid using form TC-29, Emergency Service Telephone Fee coupon. Once an account has been established, the Tax Commission will send a booklet of payment coupons (TC-29) to be used in remitting the fees.

The return detail required with the payment coupon is to be submitted electronically and has the same due date as the payment. The file records will be in variable length, text format with each field separated by a comma. It can be submitted using FTP Client to <ftp://ftp.tax.utah.gov> or sent to [ftp://ftp.tax.utah.gov/prv/\(Tax Commission issued subdirectory\)](ftp://ftp.tax.utah.gov/prv/(Tax Commission issued subdirectory)). Each account is assigned a specific subdirectory in [/prv/\(Tax Commission issued subdirectory\)](ftp://ftp.tax.utah.gov/prv/(Tax Commission issued subdirectory)). For further information concerning the detail of the return, specifications for the format of the data, and for assignment of a subdirectory, contact the Miscellaneous Tax Section at (801) 297-3540.

**Online info:** For E-911 filing format, see [www.tax.utah.gov/telecom](http://www.tax.utah.gov/telecom)

The line provider may retain an amount not to exceed 1.5% of the E-911 fees collected for the cost of billing, collecting, and remitting the levy.

## Poison Control Center Funding

An emergency services statewide telephone charge of 7 cents per month is imposed on each local exchange service switched access line (land line), and each revenue producing radio communications access line (cellular line) subject to the E-911 emergency services telephone charge. The revenue supports the statewide Poison Control Center at the University of Utah. Therefore, taken together with the E-911 fees, the total levy per phone line is up to 85 cents per month. A provider responsible to collect, report, and remit Poison Control fees is also responsible to collect, report and remit the E-911 fees, explained previously.

The Poison Control fee is tied to providing phone lines. The value of providing those same phone lines is also subject to sales tax paid by the phone line subscriber to the phone line provider.

Each filer is expected to collect, report, and remit the fee for all phone lines for each reporting period. The revenue is distributed to the University of Utah Poison Control Center so the fee is not reported at the local level, but rather as a statewide total. The emergency services telephone charge is paid to the Tax Commission on or before the last day of the month following the month in which the charge is imposed using form TC-29, Emergency Service Telephone Fee coupon. The Tax Commission will send a booklet of payment coupons (TC-29) for paying the fees. There is no provision for a filer to retain any portion of the fee for any cost incurred administering this fee.

The return detail required with the payment coupon is submitted electronically and has the same due date as the payment. The file records will be in variable length, text format with each field separated by a comma. It can be submitted using FTP Client to <ftp://ftp.tax.utah.gov> or sent to [ftp://ftp.tax.utah.gov/prv/\(Tax Commission issued subdirectory\)](ftp://ftp.tax.utah.gov/prv/(Tax Commission issued subdirectory)). Each account is assigned a specific subdirectory in /prv/(Tax Commission issued subdirectory). For further information concerning the detail of the return, specifications for the format of the data, and for assignment of a subdirectory, contact the Miscellaneous Tax Section at (801) 297-3540.

**Online info:** For E-911 filing format, see [www.tax.utah.gov/telecom](http://www.tax.utah.gov/telecom)

## Municipal Telecommunications License Tax (MTLT)

Municipalities may impose a tax of up to 3.5 percent on gross receipts from telecommunication service provided to those municipalities. Gross receipts are attributed to a municipality if they are from transactions located within the municipality according to the same address rules as E-911 fees. If the telecommunication provider passes this tax on to their customers (subscribers), then this amount becomes part of the cost of goods sold and is part of the taxable base for sales tax purposes to the subscribers. The Tax Commission administers the tax according to the same procedures used to administer state sales and use tax. It then distributes the collected funds to the city or town that imposed the charge that was declared on the return.

Returns are filed electronically and the tax payment is made to the Tax Commission on a separate form TC-34, Municipal Telecommunication License Tax coupon on or before the last day of the month following the month in which the tax is imposed. The Tax Commission will send a booklet of payment coupons (TC-34) to be used in remitting the fees.

The Municipal Telecommunications License Tax (MTLT) is tied to providing telecommunications service and is paid by the provider. About half of the jurisdictions in Utah impose the tax. To identify the jurisdictions and rates, access the *Other Sales Tax Rates and Fees* chart at [tax.utah.gov/sales/rates.html](http://tax.utah.gov/sales/rates.html). When an MTLT account is set up with the Tax Commission, the filer is expected to report and remit MTLT for service provided in any of the implementing jurisdictions for each reporting period.

The filer must identify the city or town where telecommunications service is provided (based on ZIP+4 service addresses) because revenue is distributed to those cities and towns. It is not correct to report all service at just one locality within the county if service is supplied to other locations within the county that impose the tax.

The taxing jurisdiction is determined by the customer's ZIP+4 billing address, which is considered the place of primary use. The Tax Commission provides a downloadable online database of rates and boundaries that relates ZIP+4 addresses to taxing jurisdictions. It can be downloaded and incorporated into local systems to calculate taxes and fees attributable to specific locations. The database is available at [tax.utah.gov/taxes/telecom](http://tax.utah.gov/taxes/telecom).

The return detail required with the payment coupon is submitted electronically and has the same due date as the payment. The file records will be in variable length, text format with each field separated by a comma. It can be submitted using FTP Client to <ftp://ftp.tax.utah.gov> or sent to [ftp://ftp.tax.utah.gov/prv/\(Tax Commission issued subdirectory\)](ftp://ftp.tax.utah.gov/prv/(Tax Commission issued subdirectory)). Each account is assigned a specific subdirectory in /prv/(Tax Commission issued subdirectory). For further information concerning the detail of the return, specifications for the format of the data, and for assignment of a subdirectory, contact the Miscellaneous Tax Section at (801) 297-3540.

**Online info:** For telecom filing format, see [www.tax.utah.gov/telecom](http://www.tax.utah.gov/telecom)

## Filing Frequency

Returns for E-911, Poison Control, and Municipal Telecommunications License Tax are filed at the same frequency as sales and use tax returns. If you are a monthly filer of sales and use tax, then you are also a monthly filer for the telecom taxes, and the same goes for quarterly filers.

## Changes to Accounts

Any changes to delivery locations where telecommunications services are provided, such as adding or deleting a location, should be reported to the Tax Commission using form TC-62Q, Utah Sales Tax Sourcing Schedule. This will update accounts for sales and use tax. Company name changes, ownership changes, and address changes should also be reported using either the return or separate correspondence.

## Penalties for Inaccurate Filing or Non-Filing

It is absolutely essential the Tax Commission receives correct and timely information to base timely distribution to cities and towns. It can do nothing with a payment that is not accompanied by a correct return showing detailed, jurisdiction-by-jurisdiction information. In the event the Commission does not receive accurate or timely return information, it may impose a penalty of the greater of \$20 or 10 percent of the unpaid tax due on the return.

A sales tax, municipal telecom license tax, or E-911 fee return that does not have distribution information necessary for the commission to make a correct distribution to counties, cities, and towns is not considered a filed return. Similarly, a tax is considered not paid (even if remitted) if not accompanied by one of the above-mentioned returns and the penalty may be imposed.

## Utah Telecom Taxes & Fees

Utah statutes provide that a tax or fee imposed upon the customer should not be in the taxable base. However, any tax or fee that is imposed upon the company and listed on the customer's bill as a reimbursement should be included in the sales tax base. Below is a chart summarizing the sales tax treatment of telecommunication taxes and fees in Utah. (May not be all-inclusive.)

| Tax   | Explanation   | Statutorily Imposed Upon |          | Included in Tax Base |
|---|---|--------------------------|----------|----------------------|
|   |   | Company                  | Customer |                      |
| Federal Excise Tax                            | Federal tax imposed upon the purchaser of local and toll telephone service (3%).  |                          | X        | No                   |
| State Sales Tax                               | Sales tax imposed by the state upon the purchaser of telephone service (4.65%).   |                          | X        | No                   |
| Local Option Sales Taxes                      | Sales tax imposed upon the purchaser of telephone service — must have the same base as the state sales tax. (rate varies)   |                          | X        | No                   |
| Recovery of Municipal Telecommunications Tax  | Imposed by municipalities on the gross receipts of telecommunication services provided and passed through only to customers in the jurisdiction that imposes the tax on the company.  | X <sup>1</sup>           |          | Yes                  |
| State 911                                     | Imposed by the State on the purchaser of access lines for the purpose of funding the emergency 911 telecommunications services (\$0.08).  |                          | X        | No                   |
| Local 911                                     | Imposed by the county/city to supplement the funding of the emergency 911 telecommunications services (\$0.61).   |                          | X        | No                   |
| Federal Universal Service Fund (FUSF)         | Imposed by the FCC on interstate telecommunication services to supplement the high cost of telephone service in rural areas, help with the purchase of telecommunication services by schools and hospitals, and provide telephone assistance to low income individuals. The cost of the fee imposed on the company is spread among purchasers of interstate telecommunications services (the revenue that gives rise to the fee). | X <sup>2</sup>           |          | No                   |
| Federal Universal Service Fund – Private Line | This is the portion of the FUSF that is applicable to private lines. This fee will appear on customer bills that have a digital subscriber line (DSL). The rate is the same as the standard FUSF.   | X <sup>2</sup>           |          | No                   |
| Utah Universal Service Fund                   | Imposed by the Utah Public Utility Commission on intrastate telephone service to assist in keeping the cost of telecommunications services low in high cost areas.  |                          | X        | No                   |
| Telecommunications Relay Service Fund         | Imposed by State statute to fund the relay centers that help hearing and speech-impaired customers make and receive calls (\$0.40 / access line).   |                          | X        | No                   |

| Tax                                  | Explanation   | Statutorily Imposed Upon |          | Included in Tax Base |
|--------------------------------------|---|--------------------------|----------|----------------------|
|                                      |   | Company                  | Customer |                      |
| Utah Poison Control Center Surcharge | Imposed by State statute to fund the University of Utah Poison Control Center (\$0.07 / access line).   |                          | X        | No                   |
| Federal Access Charge                | This charge is allowed by the FCC to recover part of the cost of providing connection of the customer's long distance carrier to the local network. |                          | X        | No                   |

- <sup>1</sup> Taxes that are statutorily imposed upon the company and passed through to the customer constitute a reimbursement to the company for an expense. This becomes revenue to the company and part of the cost of the service to the customer. Consequently, it is subject to the various sales taxes. See Utah Code §59-12-102 (72)(b)(ii)(G).  
If a tax is statutorily imposed directly upon the customer, it is not included within the sales tax base. See Utah Code §59-12-102 (72)(c)(ii)(C).
- <sup>2</sup> The service that this fee is associated with is not subject to the various sales taxes. Thus this fee should not be included as part of the taxable base.

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Sales tax publications provide general guidance only. They do not contain all sales or use tax laws or rules. If you need additional information, call (801) 297-7705 or 1-800-662-4335, ext. 7705 (outside the Salt Lake area), or email [taxmaster@utah.gov](mailto:taxmaster@utah.gov).



Detailed filing instructions and filing formats are available on the Tax Commission's website.

E-911: [tax.utah.gov/telecom](http://tax.utah.gov/telecom)

Municipal Telecom: [tax.utah.gov/telecom](http://tax.utah.gov/telecom)